

**POLICY STATEMENT OF THE NATURE, USE, GOALS AND PROCEDURES  
OF THE CITY OF ANNISTON  
REVOLVING LOAN FUND PROGRAM**

ARTICLE I.  
BACKGROUND OF THE LOAN FUND

The City of Anniston is privileged to administer a loan fund originated through an Urban Development Action Grant known as the City of Anniston Revolving Loan Fund. Over the years, this Fund has been utilized by many individuals and businesses to assist in the establishment of their businesses within the City of Anniston. The repayment of these loans creates additional funds which have been set aside for the furtherance of the loan program in order to assist additional individuals or businesses in establishing or expanding commercial enterprise in the City of Anniston.

ARTICLE II.  
GOALS OF THE REVOLVING LOAN FUND

It is the City's intention to offer loans through the Revolving Loan Fund in order to promote commercial enterprise within the corporate limits of the City of Anniston, thus resulting in an increase in retail sales, the creation of jobs and the preservation, restoration or use of commercial structures within the City. To that end, the application process will require the applicant to demonstrate how the loan applied for will achieve one of the aforementioned goals.

It is further the goal of this Fund to offer "equity assistance" to small businesses in order to leverage larger loans through conventional commercial lenders. Primary loans are available through this Fund provided the loan responds to one of the goals set forth herein.

While the goal of the Revolving Loan Fund is to attract new commerce to the City of Anniston, a secondary goal of this Fund is to provide assistance to existing businesses provided that the business plan submitted evidences an expansion of commerce, trade, the creation of additional jobs, or the beautification or preservation of an existing structure.

ARTICLE III.  
PRIMARY FEATURES OF LOANS

Loans available through the City's Revolving Loan Fund have the following features:

- a. Interest Rate: All loans shall be at an interest rate of 75% of prime on the date of closing (as established by the Wall Street Journal), but not less than 5%.
- b. Term of Loan: Straight amortization shall be required on all loans which shall be payable on not less than quarterly as follows:
  - i. Loan of \$10,000.00 or less - payable over maximum 48 months

- ii. Loan over \$10,000.00 - \$20,000.00 - payable over maximum 72 months
  - iii. Greater than \$20,000.00 to \$30,000.00 - payable over maximum 96 months
- c. Duration of Loan: Maximum of loan amount available through the Fund is \$30,000.00.

#### ARTICLE IV. SECURITY

All loans are required to be secured through real estate mortgages, security interests in tangible assets and personal guarantees of principal parties involved in the business enterprise, or a combination of the foregoing. The nature and extent of security acceptable under the Fund may depend upon the amount of loan applied for, but in all instances the Fund should be reasonably secured with respect to the obligations undertaken by any borrower. To that end, a personal financial statement and/or appraisals may be required as a part of the loan application process in order to evaluate security requirement for the loan.

#### ARTICLE V. ADMINISTRATION OF LOAN PROCESS

Through actions of the City Council, a Revolving Loan Fund Board has been appointed consisting of appointees made by each of the five council members which has authorized and empowered to act on behalf of the City in receiving loan applications and in making lending decisions with respect to pending applications.

The City Council has further designated the Finance Director (or his designee) who shall bear the title "Revolving Loan Administrator" to act as a "contact person" for all loan applicants. The responsibility of the Revolving Loan Administrator shall be to assist the applicant with the loan application process in order to facilitate the decision making process of the Revolving Loan Fund Board. The Revolving Loan Administrator shall be reasonably assured that minimum documentation required under the City's policy has been completed and delivered by the loan applicant prior to submitting the application to the Loan Board.

Upon approval of a loan application, loans shall be closed by an approved attorney of the Revolving Loan Fund Board in strict compliance with other provisions of this policy. Upon approval of the loan, an applicant shall pay a fee of \$250.00 for the processing of loan applications, the creation of loan documents and other services provided by the approved attorney. In addition, the applicant should anticipate paying all recording fees and taxes incurred by the City to secure any liens granted to it as a part of the loan.

After loans have been made, all payments shall be made to the City of Anniston at the Finance Department at City Hall, and not to the Loan Board or the City's Revolving Loan Administrator. Any questions regarding loan payments should be directed to the Finance Department at City Hall.

ARTICLE VI.  
MISCELLANEOUS POLICY PROVISIONS

Additional policies applying to loans through the Revolving Loan Fund program are as follows:

- a. Multiple Revolving Loans/Multiple use of Loan Fund: At the discretion of the Revolving Loan Fund Board, the Revolving Loan Fund may be used by an applicant more than once under certain extraordinary circumstances whereby the second use of the fund would again serve the policy goals set forth herein. Any additional loan or increase of an existing loan must comply with the minimum loan amounts and terms of loans set forth in this policy. A second or subsequent Revolving Loan Fund application may be declined based upon funds available to service pending or anticipated requests for applications.
- b. Recipients of Other Municipal Incentives: The Revolving Loan Fund may be used with other "incentives" utilized by the City for the promotion of trade and commerce. Participation in the Revolving Loan Fund does not disqualify an applicant from other City incentives. The Revolving Loan Fund Board may, however, consider other incentives received by an applicant in determining the need of the applicant for revolving loan funds.
- c. Default Provisions: Default provisions shall exist in the loan agreement as follows:
  - (i) Covenant to operate (i.e., loan falls in default upon business shutting down.
  - (ii) Business to remain in Anniston without express approval of the City.
  - (iii) Loans are non-assumable without City approval.
- d. Conflict of Interest/Disqualified Applicant: No person employed by the City, nor any City Council member, nor any member of the Board of the Revolving Loan Fund Board, nor any "family member of the public employee" or any "family member of the public official" as those terms are defined in the "Code of Ethics for Public Officials, Employees, etc., Section 36-25-1, et seq., Code of Alabama) shall be eligible for participation in the fund, nor will any partnership, corporation or limited liability company in which any such person is a director, owner, member or shareholder.

ARTICLE VII.  
LOAN APPLICATION PROCEDURE

Applicants for loans from the City's Revolving Loan Fund shall comply with the following application requirements:

- A. Complete such loan application form as prescribed by the Revolving Loan Fund Board including, at a minimum, the following information:

- (i) Complete name, social security number, date of birth and address of each applicant. If the applicant is a corporation, partnership, LLC, or other business organization, complete disclosure shall be made of all names, addresses, social security numbers and dates of birth of stockholders, partners, officers, directors or members of any association;
- (ii) All businesses, corporations, associations, partnerships or other business organizations in which any of the applicants, their shareholders, officers, directors or members have been actively involved within the last five years.
- (iii) Disclosure of the assets and liabilities of the applicant(s). If the applicant is an LLC or corporation, a financial statement of the business organization for the last three years, if available, may be used to satisfy this requirement. If a new business, financial statements and last federal income tax returns for the preceding two tax years shall be required for all principal stockholders, officers, and members of the Board of Directors.

B. A business plan shall be submitted by the applicant disclosing projected income and revenues of the subject business and projected annual capital cost and operating expenses. A statement shall be contained indicating what amount of funds shall be immediately invested by the applicant as an up front capital expenditure for the business. Additionally, a statement shall be contained as to whether additional financing shall be sought as part of the business plan, including the amount and proposed payment terms thereof.

C. In writing, the applicant shall disclose the number of employees which shall be added/retained (indicate which) by the establishment, retention, or expansion of the business for which the loan is sought. Additionally, if such is applicable, a statement shall be contained of any proposed renovation or conservation of existing structures in Anniston through the use of the loan funds, capital provided by the applicant, or other loan funds leveraged through the use of the revolving loan program.

D. A statement in writing shall be provided to the Revolving Loan Fund Board projecting anticipated revenues to the City of Anniston from the establishment, retention, or expansion of the applicant's business including, where applicable, anticipated city sales and use taxes, business licenses fee and/or increased ad valorem property taxes.

E. A statement in writing should be provided to the Revolving Loan Committee of collateral to be offered by the applicant as security for the proposed loan. Disclosure shall be made of all security interest presently existing or anticipated in the security or the collateral proposed, the existing secured or proposed debt thereon, and the estimated value of the collateral.

F. The applicant, along with shareholders, members, directors and officers, and all who propose to personally guarantee the indebtedness of any business corporation, shall execute appropriate releases authorizing the

Revolving Loan Fund Board or the Revolving Loan Fund Administrator to obtain credit reporting information related to each, and authorizing the Board or the Administrator to communicate with any banks or other lending institutions that are being utilized or which propose to be utilized by the applicant as a part of the business enterprise.

ARTICLE VIII.  
LOAN DOCUMENTATION

The following requirements shall apply to all loans issued to the City of Anniston Revolving Loan Fund Program:

1. All loans shall be attorney closed by an attorney selected or approved by the Revolving Loan Committee, with the cost of such services, together with applicable loan fees and record costs, to be paid by the borrower at closing. It shall be the duty of the closing attorney to examine applicable records and to certify to the City of Anniston by written opinion letter that (i) all liens or encumbrances existing of applicable records of any collateral proposed to be given by the applicant to the City of Anniston as security for the indebtedness; (ii) after closing, a final certificate stating that the City of Anniston has a good and valid lien position with respect to the collateral pledged as security for the loan, subject to such limitations or prior lien positions as have been made known is acceptable by the City of Anniston; (iii) the loan undertaken by the City of Anniston constitutes a good and valid indebtedness of the borrowers and any guarantors thereof, and is fully enforceable according to its terms; (iv) that the City of Anniston has a good and valid lien position with respect to the collateral pledged as security for the loan subject to such limitations or prior lien positions made known to such attorney by the Revolving Loan Committee.

The closing attorney shall insure that all security and collateral documents are properly executed and recorded of record in order to perfect the city's security position with respect to such collateral.

The closing attorney shall be responsible for closing all loans pursuant to the city's revolving loan fund program in accordance with applicable laws, rules and regulations. All executed loan documents shall be returned by the closing attorney to the Finance Director of the City of Anniston, within fourteen days of closing.

2. All borrowers (if individuals) and all shareholders, directors, officers, members or partners of such business organizations (as deemed appropriate by the Revolving Loan Fund Board) shall acquire, assign and maintain as additional collateral a life insurance policy on such person(s) life with death benefits payable to the City of Anniston in an amount not greater than the balance of the loan as the same may from time to time exist. Failure to acquire or maintain such insurance policy shall constitute a default under the terms of the loan agreement.

3. All loans shall be utilized for the purposes stated in the applicant's revolving loan fund application and for no other purpose. The City of Anniston shall reserve the right to audit the books and records of the applicant to insure that the proceeds of the revolving loan have been used in accordance with the applicant's plan pursuant to this policy. Failure by the

applicant to utilize the funds as set forth in the application shall constitute a default under the terms of the loan agreement with the City of Anniston.

4. The applicant/borrower's loan file shall be maintained by the Finance Director of the City of Anniston. Such file shall include the originals of the following documents:

- a. The loan application and all statements associated with the application process including, without limitation, the applicant's business plan, credit report, statement or representations made with respect to the application process.
- b. Original executed promissory note.
- c. Original executed loan agreement.
- d. Original executed and recorded copies of security agreements, mortgages, life insurance assignments.
- e. Proof of such hazard insurance insuring collateral granted to the City as security for the debt indicating the City of Anniston as a loss payee thereon.
- f. Originals of notes or correspondence from the Revolving Loan Fund Committee, or between the revolving loan fund, its representatives and the applicant/borrower.
- g. Original signed closing statement and such other original signed closing documents, disclosures or records incident to the city's loan.
- h. Original signed attorney's opinion letter.
- i. Copies of all correspondence, if any, to the borrower from the Revolving Loan Committee, its representatives or agents of the City.
- j. Photocopies of the applicant/borrowers file may be maintained by the Revolving Loan Committee or its agent.

**ARTICLE IX.**  
**RESERVATION OF RIGHTS**

The City of Anniston specifically reserves the right to modify, alter, amend or supplement all policies set forth herein at any time, provided that such modifications, alterations or supplementations shall not modify loans already made and closed. In particular, the City may alter or vary its policies or procedures referencing collection procedures of past due accounts, and no applicant should rely upon the City's existing policies, practices or procedures with respect to the collection of Revolving Loan Fund accounts now in existence or which may exist in the future. In all respects and all times, the City of Anniston reserves all rights and remedies available to it under the terms of loan documents utilized in the closing of all Revolving Loan Fund accounts.